[President]

I find on scrutiny of the names furnished by the Secretary that there are 23 members of the United Party, 10 members in the National Congress Party, 10 members in the Progressive Party, and 18 members who belong to no party. My endeavour will be as far as possible to give the members of these parties in proportion to their numbers, opportunity for speaking. Roughly speaking 11 members of the United Party, 5 members of the National Congress Party, 5 members of the Progressive Party and 8 members of No Party, will be allowed to take part in the general discussion of the Budget. This is, of course, subject to the undertaking I have given yesterday, namely, that those who have given notice of adjournment motions will be given an opportunity to speak. I shall be glad if honourable members of each party who wish to speak will kindly give their list to the Secretary sufficiently early so that they may be called up as they stand and catch the eye of the President.

When voting on the Demands for grants, every member and the official member who has the right of reply will be allowed ten minutes each and the other members five minutes each. Standing Order No. 59 requires notice of every motion to be given to the Secretary two clear days before the day on which the demand comes up for considerations. Late motions will not be accepted. It will facilitate business if honourable members giving notice of token motions which can most conveniently be for a reduction of one rupee will also specify the purpose underlying the proposed cut and take care to see that the cut motions are confined to amounts entirely votable.

In this connection I may also invite the attention of honourable members to my predecessor's ruling regarding budget motions, given on the 30th of July 1935, reported on pages 705 to 707 of Volume VI of the Proceedings of the Sri Mulam Assembly.

For calculating the number of hours to be allotted for the voting of demands, a day will be taken as from 12 noon to 6 P. M. One hour being available for question time, and another hour (2 to 3 P. M.) as lunch interval, the remaining four hours will be treated as one full day and two hours as half a day. If the whole of the first hour is not taken up for questions and answers, the time left over will be available for the voting of demands for grants. Such available time will not go to increase the time allotted to any particular Demand but will be available to the House and thus enable them to reach more demands.

PRESIDENT'S STATEMENT RE: INFLATION AND LAND TAX.

Before the general discussion begins, I find there are four or five points which need further elucidation so that honourable members who take part in the general discussion of the Budget Estimate and in the voting on Demands for Grants will value exactly the position of Government.

In the first place, I have to make a preliminary observation necessitated by reason of what took place yesterday. I find, as things

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are, only one day will become available for legislative business. Between the close of the non-official business of the Assembly and the commencement of the business of the other House, the legislative business before this House would demand something like fifty per cent more time. I would therefore, propose, if honourable members have no objection the House will sit on Thursday, the 20th Karkatagom from 10 in the morning until as late in the night as it is necessary to finish legislative business, whether it is 8 or 9 or 10 in the night.

The other point I wish to make clear is this: There were certain aspects of inflation and deflation and the steps that have to be taken by Government in conjunction with the Government of India, which I have dealt with at the Joint sitting. I have, however, now before me, certain very definite particulars which might be extremely useful to honourable members in the course of their discussion of the Budget and which might also indicate the policy that we have adopted and shall adopt subject to the observations that may fall from honourable members.

In the first place, I may point out that some of the foremost economists of India, headed by Sir Purushothamadas Thakurdas, sent on the 11th March 1943, a memorandum to the Government of India. It has been printed amongst other papers in a most instructive brochure, which will amply repay perusal, prepared by Mr. K. T. Shah, an economist of undoubted eminence. These economists, who are about 20 in number, representing all provinces and some of the States in India, have sent this recommendation to the Government of India:

"We earnestly feel that immediate and drastic measures to check inflation are called for. In this connection we urge on the Government of India, the primary necessity of closing the 'gap' by increased taxation and borrowing. Taxation, in our opinion, should be raised to the highest practicable pitch, adjusted to shoulders that can best bear it. We suggest a much steeper progression in incometax rates, the laying of a maximum limit to individual consumption income, and absorption of all profits above limit either to revenue, or to be impounded into special loan contributions. To increase the volume of borrowings to the required level, it is necessary to institute a comprehensive scheme of compulsory savings, as well as a rigid control of all investment.

"In order to make this price control measure effective, a policy of centralised supervision and direction of productive effort will be necessary. This will in its turn involve equally strict regulation of transport and distributive machinery on a national scale. A rationing of the essential necessities of life should be undertaken to as large an extent as possible. An effective control of prices will involve a wage stop; but this will mean no hardship as long as the price rise is stayed. An equally strict profit stop is indicated as a corollary of this policy as well as independently on account of financial considerations."

It may be remembered in passing that with a view to prevent inflation in England, the British Government now takes roughly between 16 and 17 shillings in the Pound by way of taxation. In 1939, the

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[President]

standard rate of tax was raised to 7 sh. 6 d. in the Pound, that is, roughly more than one-third; in 1940-41 it became 8 sh. 6 d; and in 1941-42 it became 10 sh. Up to that time, incomes not exceeding £ 120 were exempted; later on that amount was reduced to £ 110 which is about Rs 1,500. Surtax and income-tax were levied on all incomes exceeding £ 2,000 per year. Excess Profits Tax which was 60 per cent. in 1939 became 100 per cent. on the first April 1940. In other words, all the excess profit made by everybody in the United Kingdom ceases to be the property of the person making the profit. I may mention that the practice of hoarding and the acquisitions of profit in other ways have been considered as anti-social factors tending to inflation. As a matter of fact the figures given in respect of India are revealing. The out-put in the Calcutta and the Bombay mints was stepped up and by December 1942 the two mints were turning out small coins at the rate of 72 million pieces a month, as compared with a monthly average of 16 million only in August 1939 and 34 million in April 1942. The output was further increased by working an additional shift at the Calcutta mint from January 1943. By the end of March 1943 the mintage had risen to 136 million pieces a month, or by 89 per cent. over the output in December 1942. The complaints of scarcity however, persists, so far at least as the urban areas are concerned. The Government of India as well as the local Government and this Government have been asked to mint more. But the more we mint the more goes underground.

The same thing happens with regard to commodities and with regard to bullion. The result is, as honourable members know, that the Government of India have now passed regulations to the effect that banks should not advance moneys either on commodities, *i. e.*, on grains, cloth or whatever it is, or on gold or on silver. If that rule is brought into force in full, it means that all *nidhis* and all funds which have their mainstay on advances of gold have to stop functioning. But the step taken by the Government of India has been necessitated by the fact that the price of gold which was Rs. 21 before the war came up to Rs. 100 early this year, and after this publication of the Government of India, the price of gold has come down to Rs. 61 or 62 and the price of silver the day before yesterday was Rs. 100 per 100 tolas. The price of sovereigns which had gone up to Rs. 65 is now ranging between Rs. 45 and Rs. 50. That is the result of the steps taken by the Government of India.

It is impossible for local Governments, provincial Governments and the States Governments not to keep in line with the policy of the Government of India, because to do so would be to invite the obvious comment that one place or other is used as a place for encouraging profiteering and hoarding. In other words, it ought not to be possible for any one—let us speak of Travancore—who cannot hoard money, or commodities or bullion elsewhere, to hoard those things here. Therefore it is necessary, as far as possible, to keep step with the Government of India and the British India in regard to this matter. It is an obvious duty, duty demanded by the difficulties of wa

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time finance. There is another aspect which should be considered at the same time. Each Government has to look to its own traditions and its own past. Yet it may be remembered that Hyderabad has just now imposed Excess Profit Duty and honourable members who have read the newspaper 'Hindu' of the 19th July might have read the justification by the Finance Member in Hyderabad for the levy of the Excess Profit Duty. On 17th July in Baroda an Excess Profits Tax of 66 2/3 per cent. on companies and persons operating in the State has been imposed. The Sind Government has issued orders introducing enhanced rates of land assessment from August 1st bringing an additional revenue of Rs. 2½ crores per year. They propose to deal with the question on a larger scale so as to bring an additional revenue of Rs. 2½ crores. The total annual revenue of the country is between Rs. 4 and Rs. 5 crores. When all these facts are taken into consideration, a levy of additional tax is a matter which may be borne in mind. It is also likely that practically all over India the question of the revision of land tax will almost immediately be taken up.

The last observation that I shall permit myself to make is with reference to this question of land tax itself. The Government are anxious to listen to the views of the honourable House on this question, but there are one or two matters on which Government have, necessarily, to deal with the situation as it arises. Government cannot possibly sit still and find that industries as such have to pay more than what may be called industrialised agriculture. Large tea factories and plantations which use mass production methods and mass labour, are practically industries on a large scale. The fact that a man has got a cotton mill should not compel him to pay more than a person who has got a tea factory. On that basis and also taking into account the fact that the future of land taxation has to be considered by this House sooner or later, a committee will have to be appointed for the purpose of considering the future of land taxation, whether land tax should be levied at all, whether alternative sources of taxation could not be found, whether it would not tend towards the keeping of the accounts of every family by the karnavanior manager who will be able to say "Here is the account I am preparing for income tax purposes. This is the net income and so much alone are we to pay to Government by way of tax and so much is the amount available for the members of the family" etc. Whether it would not be possible to regulate fragmentation and consolidation, are also matters to be considered. Government will be grateful to honourable members if they will bring forward constructive suggestions in regard to this matter, bearing in mind, that provisionally Government are of opinion—I say provisionally, because we are anxious always to be guided by the opinion of the people of the country—that the present system of land taxation should yield place to a better and more logical system.

The programme that I indicated regarding the legislative business will be taken on Thursday, the 20th Karkadakom, and the House will sit as long in the day as it is necessary to finish the business.

The House will now proceed to the general discussion of the Budget and I call upon the Deputy President.

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